

CALIFORNIA STATE BOARD OF EQUALIZATION

STRATEGIC PLAN

1998-2003



STATE BOARD OF EQUALIZATION

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ACKNOWLEDGMENTS

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CONTENTS

Our Mission	1
Our Goals	1
Our Operating Philosophy	2
Our Vision of Success	3
Our Organization	5
The Results of Our Environmental Assessment	7
Our Issues and Strategies in Brief	11
Our Issues and Strategies in Greater Detail	15
Our Resource Assumptions	34

Appendix

Our 1997-98 Strategic Planning Process	35
What Is Strategic Planning and Why Should We Do It?	40
Our Planning Model	41
Definitions of Terms	44

OUR MISSION

Our mission statement defines the purpose of our organization. It communicates in the broadest possible terms the scope of our organization and the social contribution which it intends to make.

The mission of the State Board of Equalization is to serve the public through fair, effective, and efficient tax administration.

OUR GOALS

The goals of our organization are the results or outcomes which must be attained in order to accomplish the mission. Together the mission and goals provide the highest level of direction to organizational planning, decision-making, and action.

The State Board of Equalization will:

- Interpret and apply tax and fee laws correctly, consistently, and fairly.
- Collect and allocate revenues as required by law.
- Assess and allocate property values as required by law.
- Educate and assist tax and fee payers to comply voluntarily, while minimizing their compliance burden.
- Provide high-quality customer service, using well-qualified staff and state-of-the-art technology.
- Achieve program objectives at the lowest possible cost.

OUR OPERATING PHILOSOPHY

As we carry out our mission and work toward accomplishing our goals, we must be sure that the decisions we make, strategies we adopt, and actions we take are consistent with our fundamental and shared beliefs and values. These are expressed in the following brief, but significant, statement of our operating philosophy.

The State Board of Equalization is committed to a philosophy of service and accountability to the public, whose interest is best served through sound administration of the tax laws. We believe that this can be most effectively accomplished through programs that enable and encourage people to voluntarily comply with the laws. Providing quality services, products, and information to the public is essential, as is a firm enforcement program that assures the public that everyone is paying their share of taxes.

Our most significant, commonly held principles and values are to:

- Provide services and work products of the highest quality;
- Adhere to the highest ethical and professional standards;
- Administer the law fairly, effectively, and efficiently;
- Honor and safeguard all taxpayer and employee rights;
- Maintain a work environment free of discriminatory practices;
- Treat every individual with respect, courtesy, and helpfulness;
- Value the individual and the contribution each makes to our organization; and,
- Foster and encourage teamwork, creativity, and innovation.

Consistent with our philosophy of service and accountability to the public, we strive to be:

- Diligent in identifying ways to improve and simplify the process for understanding, reporting, and paying taxes;
- Persistent in promoting and encouraging voluntary compliance with the tax laws;
- Fair and objective in our treatment of all taxpayers and consistent in our administration of the law; and,
- Firm in adhering to our fundamental principles and values, yet flexible in our methods for serving the public and for accomplishing our goals.

OUR VISION OF SUCCESS

As we work together to meet the challenges of the future, it will be helpful to bear in mind a picture of our organization in its “ideal” form. Keeping this in mind, we formulate and implement strategies that will bring us closer to attaining this ideal.

The State Board of Equalization we seek to create is . . .

. . . a bold organization, innovative and proactive in its approach to the future, yet mindful of its responsibility to serve the public with integrity and efficiency. We recognize and act upon the opportunity to be a positive influence on the public’s regard for government as a whole. We recognize and accept the responsibility which serving the public brings, and work together in a cooperative and mutually supportive way to ensure that our services and products are always of the highest quality.

We define quality as a commitment to excellence in answering the needs and expectations of those we serve and those with whom we work. Our leadership in the field of tax administration is a result of consistently meeting this commitment. We are accountable to the public and governmental control agencies and regularly demonstrate that we are using the public’s funds in the most cost-effective manner to deliver exceptional-value services.

Technologically, we are progressive, proactive, and creative in meeting the growing business needs of our agency. We monitor the development of new technologies and new applications of existing technologies, constantly searching for ways to adopt and adapt them to our unique environment.

We strive to make effective use of new developments in relevant management, professional, and technical fields. We recognize when and where changes are needed, and act quickly and decisively to make those changes, but take care to preserve existing organizational traits, programs, and procedures that are effective and valuable. Continuous quality improvement is the result.

The working environment is harmonious and productive. Mutual trust and respect, concern and goodwill prevail. The atmosphere is one in which personal initiative can flourish and in which each of us accepts responsibility for making this the best organization it can be. Working conditions are safe and pleasant, and each of us is equipped with the proper tools, training, and information to do our jobs effectively and efficiently.

We all play a critical role in protecting the integrity of the organization through our ethical conduct. We define ethical conduct as accepting our responsibilities; carrying

out our duties; and being fair, honest, tolerant, respectful, trustworthy, and honorable in all of our relationships with others. Our commitment is to achieve the highest ethical and professional standards.

We each take pride in being an important part of the organization and in delivering prompt, accurate, courteous, and professional service to others, both within and outside the organization. We each know what is expected of us and how well we are meeting those expectations.

Opportunities are available for everyone to contribute to the success of the organization—by applying our unique talents, skills, and expertise to the development of improvements and solution of problems and by participating in decision-making processes which affect us. Teamwork is encouraged, as is honest and open communication. Throughout the organization there is a commitment to working together to carry out our mission and achieve our goals.

OUR ORGANIZATION

The State Board of Equalization was created in 1879 by a constitutional amendment that directed the five-member Board to equalize county property assessment levels. Four of the members are elected to represent equalization districts; and, the State Controller, elected at large, serves ex-officio as the fifth member. All serve concurrent, four-year terms. The next election to fill all five Board seats is in November 1998, with the members taking office in January 1999. We are currently the nation's only elected tax commission.

Our organization collects taxes and fees that provide nearly 38 percent of the state's annual revenue, as well as essential funding for local government. More than one million businesses are registered with the agency. In 1996-97, taxes and fees administered by this agency produced \$31.31 billion for programs supporting education, health care, public safety, transportation, social services, housing, and natural resource management programs. For fiscal year 1997-98, our budget was over \$295 million with over 4,100 staff positions. Our headquarters is in Sacramento, and we have offices in 30 other locations throughout California, as well as in New York, Chicago, and Houston.

We administer the state's sales and use tax and the sales and use taxes imposed by cities, counties, and special districts. We also administer the state's fuel, alcohol, and tobacco taxes, and a number of other taxes and fees. As of June 1998, we are administering 25 tax and fee programs, and there are many aspects to the administration of these programs. We adopt regulations to explain and apply the taxes. And, we offer educational programs and materials to taxpayers and their representatives in order to help them better understand their responsibilities under the applicable tax program. We also provide oral and written advice responding to specific questions on the application of tax.

In the administration of these taxes and fees, we maintain an audit program. Our purpose in conducting audits is to ensure that the correct amount of tax is paid (no more or less than due) and to further educate taxpayers. When an audit results in a deficiency assessment, a taxpayer may appeal the assessment. There are several administrative opportunities for resolution of that appeal. If our administrative opportunities between the taxpayers and our agency staff do not result in resolution of the appeal, the taxpayer may appeal the matter to the five-member elected Board.

We also play a significant role in California property tax assessment and administration by assessing utility properties for local property tax purposes and guiding

local governments in the administration of property taxes. This includes the adoption of rules and regulations for the guidance and direction of our agency's property taxes staff, county assessors, boards of supervisors, and local assessment appeals boards in valuing property.

In addition to hearing taxpayer appeals related to the tax programs we administer, we act as the appellate body for appeals from taxpayers on contested Franchise Tax Board decisions under the personal income tax laws, bank and corporation tax laws, and senior citizens property tax relief laws. We also act as the appellate body for appeals from county officials on intra-county and inter-county property tax assessments.

THE RESULTS OF OUR ENVIRONMENTAL ASSESSMENT

As we move toward and into the early part of the next millennium, we will encounter changes in the environment in which we will be operating that will pose significant challenges or create conditions of great opportunity. To ensure that we are in a position to capitalize on the opportunities and manage the challenges effectively, we have identified the following forces of change that we believe will have the most critical impact on the success of our organization. The action-oriented strategies we will pursue during the next several years are designed to address these conditions, ensuring that our organization continues to serve the public fairly, effectively, and efficiently.

TECHNOLOGY

Rapid changes in technology and the availability of exciting new tools (such as electronic commerce, telecommuting, and intranets) will present many opportunities that can be capitalized upon to improve performance and provide better service to the public. Completion of the development of our new technology infrastructure is essential if we are to keep up with the growing demands on that infrastructure and take advantage of emerging technologies. Foremost among these is the growth of the Internet. According to a recent US Commerce Department report, Internet use is doubling every 100 days with an estimated 62 million Americans regularly using it. This growth in the use of the Internet means that taxpayers will become accustomed to dealing with each other using this media and will expect to be able to do business with us this way as well. This surge in "electronic business" brings with it the need for greater emphasis on securing confidential information and ensuring the integrity and reliability of that information.

The year 2000 is presenting its own challenges as we modify our computer systems to fix the century-date problem so that these systems can distinguish between dates in the 1900s and the 2000s. This problem also affects the business community whose members must make the necessary alterations to their

computerized systems so that we can continue to interact with them electronically. There are even fears that many businesses are not facing up to the problem and that the resulting system failures could jeopardize a large percentage of the US revenue stream and cause a worldwide recession.

There is heightened interest, by both the private sector and government, in partnering or engaging in cooperative joint ventures to bring together key individuals to complete major projects in short periods of time, improve customer service, share information, avoid duplication of effort, and leverage the state's resources. Pursuing this interest will challenge us to rethink how we do business and how we can realign our practices to keep abreast of the changing business world. We will also have to adjust the way we do business so that we can keep up with the changes in the technology we are implementing within our organization and its rapid rate of obsolescence. Training our staff to support and effectively use the technology is essential. The direction that the Department of Information Technology has planned for California's technology future will also result in changes with which we will need to comply.

ECONOMY

Although the California economy is once again on the upswing, taxpayer dissatisfaction with big government and resistance to tax increases continues. Government will not only continue to be pressed to accomplish more with less money, it must also be able to demonstrate that the public is getting the "best value" for its dollar. The digital economy is growing along with the increased usage of the Internet. Large corporations are revamping their business practices so they can buy materials and sell products over the Internet. An increasing number of Internet users are making credit card purchases on-line and predictions are that more and more shopping, banking, and travel-booking will be done on-line. This continues to raise concerns about the security of personal information and the credit cards used to make these on-line purchases. This trend toward increased electronic commerce also presents many challenges in the areas of taxation and regulation. The current trend toward federal deregulation of particular industries is having a significant effect on the way these businesses have traditionally operated. While deregulation opens the marketplace and stimulates competition, it increases the assessment workload for states as competition and the number of new businesses grow. Deregulation also affects the way taxes are administered and introduces new factors into the property valuation process which must be

addressed. Another recent trend at the federal level is a focus on tax reform and tax administration restructuring, which will inevitably lead to closer scrutiny of customer-service methods and the treatment of taxpayers at the state level.

We are moving toward a society of more openness (free markets), governmental restructuring, global integration, and a networked economy. To stay competitive in a global marketplace, more companies (both large and small) are establishing cooperative arrangements in the form of international joint ventures, strategic partnerships, and other creative alliances. These arrangements are expected to increase efficiency by helping organizations and people work together better. California is currently the country's foreign trade leader with an 81 percent rise in exports passing through our ports from 1990 to 1996. This increase in foreign trade and the changing structure of businesses due to increased globalization has led to greater complexity in business tax auditing and challenges governments' ability to apply current taxation methods and laws. In many cases, the tax laws and application methods will require modification if government is to keep up with the evolving business environment.

SOCIAL

California's population is rapidly growing and undergoing significant changes in its composition. The median age of the population, foreign migration, and participation of older Americans in the workforce are increasing. The taxpayer population we serve is becoming more diverse in terms of cultural and educational backgrounds and language and technology skills.

American family life is also changing. The workforce is now more than 50 percent women. We have become a highly mobile society and this social mobility will continue to increase. This and the influx of immigrants is leading to a new sense of family to fit the new times—one that is sprawling, amorphous, and networked.

Like society in general, the workforce is also becoming increasingly diverse, mobile, and networked. Trends indicate a movement toward a more informal management and working style with an emphasis on the importance of employees over bureaucracy. This is evident in the shift toward linking of workers into teams that operate out of several different locations, the growing use of "contingent" workers for flexibility and rapid response, and the increasing use of informal partnerships or loose affiliations that bring key workers together to complete major projects in short time frames. In this environment, employee performance will have to be measured in terms of product rather than attendance. Managers will require

education, and perhaps training, to successfully make this transition. With all the rapid changes occurring in the world today and in the future, organizations must make themselves “learning organizations” with work environments conducive to education and training, if they are to be able to adapt to this fast changing world. These changes in family life and the workforce, California’s increasing population and diversity, and new technologies will force us to look at and employ new ways of working.

OUR ISSUES AND STRATEGIES IN BRIEF

The following strategic issues have been identified as having a potentially significant impact on our ability to fulfill our mission and attain our goals. The six issue statements are followed by the strategies that have been adopted to address and resolve each. Detailed explanations of the six issues and their supporting strategies are provided in the next section of this Plan.

1

DEMONSTRATING QUALITY SERVICES AND BEST VALUE

We must demonstrate that quality services are being delivered in the most cost-effective manner using superior and innovative management practices.

STRATEGIES

1. Identify taxpayers' needs and evaluate our existing customer-service delivery methods to determine how well we are meeting their needs and expectations.
2. Define agency and program performance measures, establish baselines, set goals, and measure results.
3. Define our future business direction for gathering, processing, and using taxpayer information and ensure that agency program plans move us in that direction.
4. Expand partnering efforts with the public and private sectors to capitalize on cost-effective methods to gather, use, and/or share information.
5. Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.
6. Ensure business processing of critical functions in the event that outages occur in power, facility access, and/or facility destruction.
7. Identify and streamline existing organizational processes that impact customer service.

2

MODERNIZING TAX COMPLIANCE PRACTICES

Dramatic changes in the business environment and taxpayer needs require that we modify our compliance policies and practices and propose legislative changes.

STRATEGIES

1. Employ innovative educational techniques to meet the business needs of a changing customer base and increase compliance.
2. Work with the public to identify and clarify inequities, undue complexities, and ambiguous areas in tax laws, regulations, and policies.
3. Identify and analyze areas of noncompliance and develop approaches to address targeted problem areas, while maintaining customer-service awareness.
4. Pursue changes to the tax laws to make them more relevant to current and evolving business practices.

3

CAPITALIZING ON TECHNOLOGY

We must strengthen our ability to capitalize on rapidly changing technology in order to meet customer needs in a timely, effective, and efficient manner.

STRATEGIES

1. Create a formalized information technology (IT) governance structure to serve as a foundation for improved technology planning, policy development, and prioritizing of IT efforts.
2. Complete development of our new technology infrastructure through timely completion of the Teale migration and corporate database development.
3. Develop and implement a post-migration technology vision, consistent with statewide direction, to capitalize on proven and emerging technologies.
4. Complete the necessary changes to our information technology systems to ensure compliance with year 2000 requirements.
5. Assess and plan for technology needs and obsolescence and obtain funding support through the state budget process.

6. Enhance internal controls for our information technology systems to increase the security of our data and ensure the integrity of the state's assets.
7. Continue and expand IT partnerships with other entities.

4

ATTRACTING AND RETAINING A WELL-QUALIFIED WORKFORCE

We face the challenge of attracting and retaining an effective, motivated, and well-qualified workforce as we confront continuing changes in the economy, technology, demographics, and attitudes.

STRATEGIES

1. Develop innovative recruitment approaches to attract staff with targeted and highly competitive skill sets.
2. Improve methods and create conditions for fostering motivation and retaining competent and knowledgeable staff.
3. Develop an ongoing process for determining training needs and resource requirements for all levels in the organization based on core competencies, direct training resources to meet critical needs, and implement quality control and evaluation of training effectiveness and efficiency.
4. Emphasize training as an integral part of successful business operations by incorporating it into program plans, proposals for new technology, and other projects.
5. Broaden our approach for recognizing employee performance and innovation.

5

BUILDING SUPPORT FOR OUR PROGRAMS

We must communicate more effectively with external stakeholders to build an understanding of and support for our programs, initiatives, and direction.

STRATEGIES

1. Improve existing and create new avenues for obtaining feedback from external stakeholders to ensure their concerns are being heard and addressed and that expectations are being met.
2. Enhance working relationships with the Legislature and state control agencies by providing timely, accurate, reliable, and meaningful information.
3. Enhance communication and educational approaches with local government to provide clear, current direction and guidance.

6

ENSURING A COHESIVE ORGANIZATION

We must develop and implement improved agencywide communications and teamwork practices to ensure a cohesive, unified organization.

STRATEGIES

1. Assess current organizational communication channels and develop and implement agencywide communication processes and systems.
2. Involve staff at all levels in developing program objectives in order to clarify roles and expectations and build mutual commitment toward the achievement of agency and program goals.
3. Establish management groups to focus on key agency issues.
4. Develop and employ a phased implementation approach for change management involving representative staff who are responsible for and/or affected by the change.
5. Increase the use of cross-functional teams to build cooperative working relationships and foster an agencywide perspective.

OUR ISSUES AND STRATEGIES IN GREATER DETAIL

The following summaries describe the trends, environmental conditions, and/or driving forces surrounding each issue; their potential impact on the organization; and the benefits/results that will be realized with the achievement of each strategy.

1

DEMONSTRATING QUALITY SERVICES AND BEST VALUE

ACCOMPLISHMENTS

- Created a toll-free 800 number Information Center with an average 90-second wait time.
- Established an Internet site containing general tax information, forms, regulations, and other useful resources.
- Created joint taxpayer service centers that provide business, income, and employment tax information at one site.
- Implemented a system that allows taxpayers to pay their sales and use tax liabilities with a credit card.
- Developed joint tax educational materials for small businesses in partnership with federal and state tax agencies.

We must demonstrate that quality services are being delivered in the most cost-effective manner using superior and innovative management practices.

ABOUT THE ISSUE AND STRATEGIES

California's growth in population and changing demographics are having a significant impact on the needs of the public and customers we serve. A survey of external stakeholders conducted during our recent strategic planning process indicated that there are areas where we can do a better job of assessing and meeting their needs. Historically, we have determined the needs of taxpayers, as well as their satisfaction with our services and products, by drawing our own conclusions from comments received by telephone, comment forms, counter service conversations, and similar means. While these provide valuable information, they are not necessarily structured to provide the most comprehensive and accurate input possible. The changing customer base and its increasing diversity require that we expand the use of these media and, more importantly, seek firsthand input

from taxpayers about what they need from us, how we are or are not meeting their needs and expectations, and how we can do a better job. Providing high-

quality, responsive, fast, and convenient service, at the least possible cost to the public, becomes more difficult to achieve as our customer base becomes more diversified. The broader, more technology-based service delivery techniques and approaches are essential, but must be balanced with the personal touch and “customization” valued by customers today. It is essential that scarce resources be allocated so as to satisfy the most critical needs of the taxpayers. Only the recipients of our services are truly able to judge whether we are meeting their needs.

Knowing what taxpayers need from us and the performance they expect is only the beginning. Policymakers and the public also expect government to be less costly and less burdensome. If we are not able to adequately demonstrate how well our organization is performing, we run the risk of losing the confidence of the public and the support of policymakers and control agencies. In an era where doing more with less has become a common business practice, we must examine and streamline our business processes, wherever possible, particularly those that impact customer services, without diminishing the quality of our services or products. We must improve our ability to measure and evaluate how efficiently and effectively we are administering our programs and delivering services by establishing an agencywide performance measurement system, which includes both agency- and program-level measures. Essential to this system is the capability to regularly communicate how well our programs are performing. Establishing such a system will require developing new skills, techniques, and an information technology and management structure to provide the necessary supporting data.

As the world moves toward a more global economy with the growth of existing and new technologies, businesses, as well as individuals, are changing the way they operate. With these changes come the public’s expectations for more and better technology-based service and easier, more convenient access to information. The changes in the business community and the public’s expectations demand that government redefine itself and the way it conducts business. New strategies and management practices are needed to ensure effective and economical deployment of resources amidst these changing expectations and operational priorities. We are challenged to find innovative ways of doing business and providing desired products and services, while demonstrating that these are being delivered at the best value to the taxpaying public. We must continue with and enhance our current customer-service partnerships and consider additional cooperative working relationships wherever these alliances may lead to more efficient operations. We can work together with other governmental and/or private organizations to share collected information, databases, or service delivery sites/methods.

To improve our practices and provision of services, we must know what steps need to be taken, and at what points in time so that we become the organization of our “Vision” (described on page 3). We must articulate our plan for how we will gather, process, use, and share taxpayer information in the future and how we can employ new technologies to enable us to do this more economically, while protecting the privacy rights of individuals and businesses.

In addition to taxpayers requesting access to their own account data, counties, cities, industry, and taxpayer groups continue to press for on-line access to electronically stored tax information that is legally accessible as public information. To improve our working relationships with California’s taxpayers and our other external stakeholders, we must continue to work diligently to find innovative ways to provide the public with technological access to the agency’s “working law” and all relevant public tax information necessary for understanding and complying with the tax laws we administer. While doing this, however, we must guarantee taxpayers that the confidential information they provide us will not be disclosed, since taxpayer confidentiality is fundamental to the voluntary compliance and self-reporting system of tax collection that is used by the Board of Equalization. Our staff must also have ready access to comprehensive, up-to-date tax information so they can do their jobs more efficiently and provide the best possible service to our taxpayers.

It’s no surprise that disasters, both natural and man-made, have become commonplace events and part of life in California. These events can have a wide-ranging impact on our ability to administer our tax programs. Adequate preparations must be made to ensure that we can quickly recover our critical operations and provide uninterrupted service to our customers in the event of short-or long-term disruptions to our business processing. Completing the development of our Business Resumption Plan is essential. This comprehensive action plan prescribes the steps that must be taken to recover all of the critical components of our business processing functions (facilities, equipment, information technology systems, etc.) to ensure the uninterrupted administration of our tax programs during a disaster or emergency. Without this preparation, we risk the deterioration of our ability to provide service to the public and the erosion of taxpayer confidence and compliance, which could result in lost revenue and data that may never be recovered.

STRATEGIES

1. Identify taxpayers' needs and evaluate our existing customer-service delivery methods to determine how well we are meeting their needs and expectations.
2. Define agency and program performance measures, establish baselines, set goals, and measure results.
3. Define our future business direction for gathering, processing, and using taxpayer information and ensure that agency program plans move us in that direction.
4. Expand partnering efforts with the public and private sectors to capitalize on cost-effective methods to gather, use, and/or share information.
5. Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.
6. Ensure business processing of critical functions in the event that outages occur in power, facility access, and/or facility destruction.
7. Identify and streamline existing organizational processes that impact customer service.

MODERNIZING TAX COMPLIANCE PRACTICES

Dramatic changes in the business environment and taxpayer needs require that we modify our compliance policies and practices and propose legislative changes.

ABOUT THE ISSUE AND STRATEGIES

California is the small-business capital of the world and will be the third-fastest-growing state in the nation from 1997 through 1999.¹ The growing diversity of our

increasing population, the acceleration of foreign trade and an ever-expanding global market, the shift from manufacturing to service-oriented businesses, the growth of the Internet and electronic commerce, and the move toward deregulation of certain industries are all causing widespread changes within the business community.

The increasing diversity of California's population is being reflected in our taxpayer base. Many small-business owners speak, read, and understand information best in languages other than English and have a variety of ethnic and cultural backgrounds, educational levels, and technology skills. Many are also unfamiliar with or have cultural ideals that are in conflict with our tax laws. These changes are making it increasingly important to communicate with businesses about their compliance responsibilities under the law. We need to minimize the burden on taxpayers and reduce the barriers to compliance by finding new, innovative ways of educating them about their legal responsibilities and providing them with the materials and information they need to comply with the tax laws.

Adding to the complexity caused by our increasingly diverse customer base is the changing structure of how businesses are being conducted, which is impacting the way California's tax laws have been historically interpreted and applied. The nature of retail sales is changing as we shift from an industrial age to an information age. Growth of the Internet and electronic commerce is increasing the number of the transfers of intangibles, which are not taxable. In many cases, these

ACCOMPLISHMENTS

- Formed a Strategic Tax Partnership with the state's other tax agencies to provide a new level of functional integration and cooperative business processing.
- Implemented a change in point of taxation of diesel fuel tax and consolidated fuel tax programs into one department to combat fuel tax evasion.
- Reviewed 30,000 historical letters and published over 4,400 letter annotations to improve public access to the Board's "working law."
- Implemented an Automated Compliance Management System that aids in the collection of delinquent taxes and improves productivity by automating routine manual collection processes.

transactions are actually replacing the sale of tangibles, or taxable personal property. Recent law changes have deregulated the telephone and electric industries while the global economy continues to expand, as evidenced by international corporate mergers and buyouts of once-local businesses. These events are changing the way businesses operated. Our tax laws and compliance practices were designed primarily for application to the sale of tangible products. It is becoming more difficult to take advantage of opportunities to fit or apply those laws and practices consistently to the new global and technology-based business environment. Globalization and deregulation also increase competition among California's businesses and, in some cases, the California tax structure may actually result in a competitive disadvantage for California's businesses.

We must work together with the business community to learn more about these and other evolving business practices so that we can provide better instruction to taxpayers. We must also reassess our current tax policies and compliance practices to identify areas where there may be inconsistencies that can be corrected, complexities that can be simplified, and ambiguities that can be clarified. In some cases, these new business practices may drive the need for modification of certain tax laws so that their intent is clear and they can be more equitably applied. In our appeals process, we are able to resolve tax disputes and identify needed changes in the administration of the law. And, in the rulemaking process, we are able to conform the law, as intended by the Legislature, to the realities of the business world. The effective and efficient resolution of tax disputes and modification of rules and regulations is in the public's best interest and should be a primary area of focus in improving our policies and practices. We must further ensure that our staff clearly understand the intent and application of the law for all circumstances so that taxpayers can be assured the laws are being consistently and fairly applied.

The changes occurring in the ways companies are conducting their business are also contributing to an evolution in the character of the *underground economy* (a traditional way to avoid taxes). Precise quantification of the size of the underground economy is difficult because the data are hidden from direct observation. Federal estimates place the size of these under-the-table dealings at anywhere from 3 to 40 percent of the above-ground economy. California's underground economy (all economic activity) is estimated to be \$60 to \$140 billion, with a combined income, sales, and excise tax loss to the state of approximately \$4 billion annually. Some evidence indicates that the temptation to evade taxes grows as tax rates rise and take a bigger bite out of incomes. This underground economic activity not only costs the state revenue, it also competitively undercuts businesses that comply with the law and pay their taxes. We need to work toward reducing

the size of the underground economy by identifying industries or particular areas with the highest incidence of noncompliance and targeting those with enhanced enforcement efforts. Creative and cost-effective use of automation, data sharing, or partnering with other governmental entities may be effective ways to address this problem.

Under California law, we are responsible for collecting taxes and ensuring that all businesses pay their “fair share.” We must make California’s business owners aware that our response to noncompliance will be timely, accurate, and effective. Yet, as we perform our duties, we ourselves must adhere to the highest ethical standards while honoring the rights of our taxpayers and our fundamental principle that every individual should be treated courteously and respectfully. We must eliminate barriers to compliance by modernizing our educational efforts and enforcement tools and techniques. And, finally, we must do a better job of identifying and gathering the necessary tax-compliance data to more precisely measure the effectiveness of our educational and enforcement efforts in increasing compliance. This will allow us to demonstrate, in quantifiable terms, which efforts are working best and have the greatest return on investment for the public’s tax dollars.

STRATEGIES

1. Employ innovative educational techniques to meet the business needs of a changing customer base and increase compliance.
2. Work with the public to identify and clarify inequities, undue complexities, and ambiguous areas in tax laws, regulations, and policies.
3. Identify and analyze areas of noncompliance and develop approaches to address targeted problem areas, while maintaining customer-service awareness.
4. Pursue changes to the tax laws to make them more relevant to current and evolving business practices.

¹ According to futurist Dr. Roger Seibert in his newsletter, *FutureScan*, November 18, 1996.

CAPITALIZING ON TECHNOLOGY

We must strengthen our ability to capitalize on rapidly changing technology in order to meet customer needs in a timely, effective, and efficient manner.

ABOUT THE ISSUE AND STRATEGIES

Effective use of new and existing technology is probably the single most important opportunity, need, and challenge facing us as the century changes and the

new millennium gets underway. Taxpayers are expressing a growing interest in being able to access their own account information directly and to obtain greater access to information, in general, while external control agencies request our program and administrative data that are often difficult to access and/or correlate. Moreover, our staff need easy access to comprehensive and timely data to do their jobs efficiently, while management requires more and better management information. We must also have adequate technology support for our performance measurement efforts.

If we are to effectively address these needs, improved technology planning, priority setting, and policy development are essential. This is also true for managing technology activities and application development throughout the organization to prevent duplication of effort, maximize the use of new programs, and ensure timely and successful implementations. To accomplish this and bring cohesion to our management of information technology efforts, we are in the process of establishing a formalized governance structure for the oversight of all agency technology planning.

Also continuing to grow are the demands on our infrastructure—new tax programs, increasing taxpayer and customer expectations and needs, and an increasing number of requests for information are among the factors involved. In the face of rapid and continuing

ACCOMPLISHMENTS

- Completed construction of the Integrated Revenue Information System (IRIS), which integrates tax program applications within a corporate database environment using state-of-the-art relational design; this represents significant headway in migrating all in-house mainframe systems to the IBM mainframe at the state's Teale Data Center.
- Implemented a new Special Taxes Automated Revenue System (STARS) at the Teale Data Center.
- Automated seller's permit verifications on Internet and Interactive Voice Response for 24-hour access.
- Implemented a new Board Roll System which converted the State-Assessed Property Roll and Allocation process from an antiquated mainframe batch system to a mainframe-supported LAN-based system.

technological change, creating a stable yet flexible technology infrastructure has become critical. It is only from such a platform that we are positioned to satisfy new information requirements effectively and expeditiously, create public and private partnerships, and be an active partner in implementing information sharing systems between governmental jurisdictions.

At this writing, we are less than one year away from completing the migration of our central computer operations to the Teale Data Center and the development of a corporate database in support of our integrated revenue information system. The migration and corporate database efforts, when completed, will allow us to implement and take full advantage of new technologies, such as imaging, advanced remittance processing, electronic filing, electronic commerce, and electronic data interchange. Development and maintenance of the technology infrastructure and systems will continue to require a large investment of agency resources; yet, efficiencies will occur that ultimately will allow us to recover these costs, as well as provide a foundation for further and continuing efficiencies.

Once our migration and corporate database development have been completed, we will be able to build upon that infrastructure to leverage the full value of the database. To ensure that the necessary application system projects are accomplished timely and successfully, we must establish a long range technology “blueprint” that illustrates the advanced and emerging technologies we plan to implement over the next several years and our incremental implementation approach. This blueprint will not only focus our technology direction and actions but will clearly communicate that direction to external control agencies by identifying the benchmarks for future technological solutions and enhancements. Effective communication of our technology plans, priorities, policies, and activities to internal staff and the various external control agencies is likewise essential to ensure their support of our efforts to obtain and maintain adequate central technical staff and improved overall organizational technological competencies.

With the new millennium just around the corner, we are working diligently to prepare our principal technological systems for year 2000 compliance. We have already developed a comprehensive contingency plan that lays out our methodology for accomplishing the required modifications to our technology systems and equipment to make them year 2000 compliant. Our year 2000 project team is in the process of performing the required analysis, modifications, and testing to ensure that our systems and equipment continue to function properly as we move into the next century. Our continued and focused attention on this critical effort is essential as year 2000 issues could have severe impact on our day-to-day functioning if they are not resolved timely and fully.

Addressing and resolving all of our technology concerns is made more difficult by the need to account for the rapid obsolescence of new technologies and vagaries of the market or economy that impact technology providers, the products they create, and the services they provide, while trying to sustain adequate political and financial support and commitment over several state budget cycles.

With our increasing use of and dependence on information technology, also comes the need for emphasis on securing and controlling our systems to ensure that data integrity is maintained and that confidential data are protected from unauthorized access and use. When developing new systems, we must build into them adequate internal controls and data security measures.

The explosive growth of the Internet, and communications in general, puts additional pressure on us to increase our use of this technology. The need to share data with other agencies, while protecting the confidentiality of those data, necessitates that we continue to work toward integrating our systems with those of other governmental entities. In so doing, we move closer to realizing the state's goal of creating seamless interfaces between governmental entities from the public/customer perspective. Wherever possible, we should monitor and evaluate the efforts of other public and private entities in collecting data, or building and maintaining systems that could meet our objectives. Wherever possible, we should also take advantage of the work completed by others and strive to use and modify existing models to fit our unique needs. This will allow us to avoid duplication and capitalize on the successful developments of others.

Without vigilant efforts to complete these technology advancements, we will lack the infrastructure to progressively expand or modify our technological capabilities in the future or form "best value" information technology partnerships with other governmental entities and, possibly, private enterprise. If we are less than vigilant in ensuring that effective system controls and security measures are deployed, we risk security breaches that could result in data corruption or the unauthorized release of personal and confidential information-setting the stage for negative results for us, the taxpayers, and the state. If we fail to keep up with rapidly changing technology and stakeholders' use of and interests in electronic communication and enterprise, we could contribute to the current deterioration of public trust in government, the increasing indifference to governmental authority, and a decline in voluntary compliance with tax law; thus, eroding the collection of state revenue and allocation to counties, cities, and municipalities.

STRATEGIES

1. Create a formalized information technology (IT) governance structure to serve as a foundation for improved technology planning, policy development, and prioritizing of IT efforts.
2. Complete development of our new technology infrastructure through timely completion of the Teale migration and corporate database development.
3. Develop and implement a post-migration technology vision, consistent with statewide direction, to capitalize on proven and emerging technologies.
4. Complete the necessary changes to our information technology systems to ensure compliance with year 2000 requirements.
5. Assess and plan for technology needs and obsolescence and obtain funding support through the state budget process.
6. Enhance internal controls for our information technology systems to increase the security of our data and ensure the integrity of the state's assets.
7. Continue and expand IT partnerships with other entities.

ATTRACTING AND RETAINING A WELL-QUALIFIED WORKFORCE

We face the challenge of attracting and retaining an effective, motivated, and well-qualified workforce as we confront continuing changes in the economy, technology, demographics, and attitudes.

ABOUT THE ISSUE AND STRATEGIES

Important demographic and related social changes are occurring that will challenge our ability to maintain a quality workforce. The social values, needs, and expectations of the available labor pool are such that employees will be looking for

ACCOMPLISHMENTS

- Increased workplace security with the installation of an x-ray scanning program for all incoming mail and parcels and more up-to-date design standards for district office facilities.
- Initiated a telecommuting program to improve employee recruitment and retention, improve employee effectiveness, and make optimum use of office facilities.
- Received the Federation of Tax Administrators' training award for user-friendly, Computer Based Training modules designed to train over 500 employees throughout the state on the use of a new automated system.

a work environment that allows them to exert greater control over their work and workday; offers flexibility, challenge, and participation; fosters and supports the development of their full potential; and makes them feel valued as employees and as individuals. Fewer will find a traditional authoritarian, bureaucratic management style acceptable. Most will be looking for the best in salaries, benefits, opportunities, and environment.

Rapid changes in technology are dictating the need for higher level technological skills on the job. Statistics from the California Public Employees Retirement System indicate that state employees tend to be older—46 years of age. Although older employees tend to provide more stability, they generally are not as technologically skilled as recent college graduates or the upcoming generation of workers. While the new generation of workers may be highly skilled technologically, they often lack adequate written and oral communication skills.

We are experiencing difficulties retaining workers who have tax auditing expertise, as well as those with information technology expertise. In the information technology area, there are currently more jobs than skilled or educated workers to fill them, both in government and the private sector, making it difficult for us to recruit and retain qualified workers for these positions. In the tax auditing area, our educated and trained

staff are frequently lured away by large private sector companies that offer better salaries and other benefits than the state can provide. Well-qualified workers in both of these areas currently receive multiple employment offers from companies that can and do provide many incentives beyond just a “good wage” to entice them to work for their companies. If we are to successfully compete with these organizations for the “brightest and best” and retain those we have trained and developed, we must set about making jobs with our organization more desirable to both job seekers and existing staff. Although we may find it difficult to compete against more progressive private sector employers, we can remain competitive among the governmental agencies that vie for the excellent civil service employees. Innovative recruitment methods will be needed to deal with this shortage of qualified labor.

To prepare for and be uniformly successful in retaining our employees, we must create and maintain working conditions that demonstrate innovative management practices in an environment that fosters a sense of purpose, growth, accountability, and recognition. Establishing incentives will create a more enthusiastic and productive workforce. Flexible work schedules, telework, and state-of-the-art work stations and equipment, where possible, will help us retain our valuable employees. We must strive to orient, train, develop, communicate with, and show appreciation for our employees in ways that encourage them to be permanent and productive members of our team. And, if we routinely recognize and reward those employees who excel in their jobs, not only will we increase the likelihood of retaining our developed and highly skilled staff, we may also attract new, well-qualified workers to our agency from other governmental or private organizations. Opportunities for development and advancement must be provided to existing employees if we are to capitalize on our training investments and ensure that invaluable institutional knowledge is not lost to other governmental agencies or the private sector.

A report by the US Department of Labor predicts that 75 percent of the current workforce will need significant retraining by the end of the decade. While many of the best companies in the private sector place a strong emphasis on training, state government has traditionally treated staff development, education, and training as its lowest priority. If we are to provide quality customer service to California’s taxpayers, we must possess a workforce that is well trained. The report recently released by the Governor’s 21st Century Training Action Team asserts that state government needs to invest more in developing the skills of its workforce to ensure that we can effectively meet the future challenges of increased workloads and the proliferation of technology in the workplace. Improving employee skills by continuing education and training can result in significant savings as they learn to work smarter—not just harder.

To properly prepare our organization for the new working environment of the 21st century, we must recognize that training leads to lower costs and increased productivity and view it as a capital investment. Furthermore, employees at *all* levels must have access to developmental training. We must further recognize that aligning our training to 21st century demands will require that we eliminate barriers that work against improved performance and productivity, offer incentives for the application of new knowledge, and employ diverse and innovative training methods to serve the varied learning needs of our employees. Training methods that should be considered include technology-based training, experiential learning, team learning, mentoring, and cross-training. We may also wish to design improved management and supervisory development programs to impart the skills necessary for managers to be effective in the future work world.

Careful evaluation of our training program is vital. First, we must assess the core competencies that are required to effect our *Strategic Plan*, as well as to perform the duties of each position in our organization. Those must then be compared to the skills possessed by the employees assigned to those positions. The difference between the required skills and those possessed by the employee represent the “skill gap” that must be addressed. We then must focus our training investments on those specific gaps in core competencies to ensure that critical agency performance needs are met. As we develop plans for new technology applications and other agency projects, the training needs for successful implementation and operation of those efforts must be identified and included in our plans. Finally, the results of our training efforts should be routinely measured and evaluated to ensure expected performance results are realized and delivery methods are efficient and effective.

STRATEGIES

1. Develop innovative recruitment approaches to attract staff with targeted and highly competitive skill sets.
2. Improve methods and create conditions for fostering motivation and retaining competent and knowledgeable staff.
3. Develop an ongoing process for determining training needs and resource requirements for all levels in the organization based on core competencies, direct training resources to meet critical needs, and implement quality control and evaluation of training effectiveness and efficiency.
4. Emphasize training as an integral part of successful business operations by incorporating it into program plans, proposals for new technology, and other projects.
5. Broaden our approach for recognizing employee performance and innovation.

BUILDING SUPPORT FOR OUR PROGRAMS

We must communicate more effectively with external stakeholders to build an understanding of and support for our programs, initiatives, and direction.

ABOUT THE ISSUE AND STRATEGIES

ACCOMPLISHMENTS

- Improved research capabilities by establishing a new Research Section that provides economic, econometric, and operations research support to ensure that agency decision-makers use timely, accurate data.
- Provided electronic access to the Assessors Handbook, Assessment Appeals Manual, and other property taxes-related informational pamphlets via the Internet.
- Developed various newsletters to provide information and guidance to external stakeholders on a regular basis.

As an agency governed by more than one constitutional, elected officer, we have an organizational structure that is somewhat unique in California state government. Nevertheless, like all other state agencies, we must follow the directives set forth by the Legislature and various control agencies.

If we are to be successful at developing and implementing innovative business solutions, we are obligated to encourage and assist control agencies and the Legislature in gaining a clear understanding of our “Vision” and strategic path toward achieving it, as well as the complexities of administering all of our different tax laws. Likewise, we must fully understand and comply with the policies, standards, and expectations of the control agencies and the Legislature. We must clearly and completely communicate our proposals and plans to them if we are to garner their support and assistance in helping us to realize our goals.

Good communication is essential to building solid working relationships. We must exercise sound communication techniques if we are to build mutually supportive pathways to cooperative business endeavors with all of our external stakeholders. We must actively listen and openly engage in two-way conversation if we are to understand their concerns, needs, and expectations. We must then assure them that we are dedicated to working with them to satisfactorily resolve their concerns and meet their needs. By being more dedicated to developing and fostering cooperative working relationships with our external stakeholders, we will be able to build mutual confidence, trust, and credibility.

The Legislature and the control agencies require information from us that is accurate, reliable, and complete; and, they expect to receive this information in a

timely manner. We must work cooperatively with these stakeholders to clearly understand exactly what they need from us and then ensure that we provide it. Through jointly developed mechanisms, we can establish a better system for continuous, two-way communication for obtaining and clarifying direction from them. It is essential that credibility of our data and information be maintained. Therefore, consistency in our assertions and data is critical and must be ensured through the application of effective internal controls.

To ensure that the property tax system is fair and equitable, we must work cooperatively with assessors and clerks to the boards of supervisors on critical issues. We can also capitalize on their expertise by working closely with them in developing materials that will provide them with guidance and direction. Keeping these materials up to date and making certain that they are being interpreted and applied correctly and uniformly is essential to achieving our strategic goals.

Enhancing our communication with county assessors, clerks to the boards of supervisors, and other local government entities or officials will allow us to provide them with prompt and accurate responses to issues and questions. Our education approaches may also need reassessing so that we can be certain we are providing the necessary direction and information on the subjects of greatest demand and need. Delivery of these efforts may be more efficiently accomplished through greater use of available technology, such as the Internet or video conferencing.

If we fail to effectively communicate with our external stakeholders, we may anticipate that strategic decisions to enhance or streamline our systems and services will meet with delay, unnecessary scrutiny, and possible resistance. By establishing good communication and cooperative working relationships, we will be able to successfully align our business practices with our operating philosophy, narrowing the gap between today's reality and tomorrow's "Vision."

STRATEGIES

1. Improve existing and create new avenues for obtaining feedback from external stakeholders to ensure their concerns are being heard and addressed and that expectations are being met.
2. Enhance working relationships with the Legislature and state control agencies by providing timely, accurate, reliable, and meaningful information.
3. Enhance communication and educational approaches with local government to provide clear, current direction and guidance.

ENSURING A COHESIVE ORGANIZATION

We must develop and implement improved agencywide communications and team-work practices to ensure a cohesive, unified organization.

ABOUT THE ISSUE AND STRATEGIES

Our employees are our most important resources and we must remain cognizant of that as we respond to change and shifting priorities. New mandates often require us to adjust our priorities, and sometimes require that we complete efforts within accelerated time frames. If we are to sustain delivery of innovative and timely

services and products, and retain the public's confidence and trust, our employees must have the information they need to be successful. They must be aware of the most current organizational priorities and have access to policies, planning decisions and directions, employee memoranda, and all other forms of employee information. This information must be a shared commodity, rather than selectively disseminated, for our employees to be able to fully contribute to the advancement of the agency toward meeting its goals.

We must convey and demonstrate the importance of information sharing and ensure that our communication systems accomplish this simply and effectively. Standardizing our communication channels should help to increase our employees' access to important and timely operational directives, organiza-

tional priorities, and other information they need to do their jobs. Consideration should be given to the employment of technology, wherever possible, to improve our communication systems and ensure that agency information efficiently reaches all staff. If we do not encourage and facilitate unobstructed information sharing in this era of fast-paced change, we may jeopardize our ability to remain a cohesive organization, which is critical in accomplishing our mission and goals.

It is not uncommon for employees to become overwhelmed by the rapid pace of change occurring in our society and organization today, or by the increase in often-competing demands made upon them. Our employees are often uncertain about the planned direction of the agency and the contributions they are expected

ACCOMPLISHMENTS

- Established an Ethics Program to heighten ethics awareness and convey to all staff our professional standards and guiding values, principles, and expectations.
- Increased the staff to supervisor ratio to yield cost savings.
- Consolidated a number of field offices to increase operational efficiencies and create cost avoidance opportunities by utilizing leased space more effectively.

to make toward moving the agency in that direction. If we are to reach our goals, all staff must be aware of where the organization is heading, the goals of their own program area, and how their efforts fit into the overall picture. Management must work together with all levels of staff in developing program objectives. Participation in these planning and decision making processes will clarify for employees their role in achieving these objectives and will build mutual commitment toward the attainment of agency and program goals.

Most, if not all, of the significant issues facing our organization over the next several years will affect many different areas of the agency. If we are to effectively address these key issues, we must ensure that we are all working toward the same shared vision or end result and that the needs of all of the affected areas within the agency are correctly identified and satisfactorily addressed. Creating cross-functional management groups for resolving these issues will bring greater cohesion to our efforts by providing a formal structure for overseeing and guiding their accomplishment.

As we prepare ourselves for the working environment of the future by establishing innovative business practices, deploying new technology, and implementing changes to tax laws, we must also properly prepare our employees for the effect these changes will have upon them and the problems or difficulties that inevitably will accompany any change effort. In order to manage mutual expectations around future change, we must establish a logical, phased approach for implementing each change that involves the staff who will be responsible for implementing that change or who will be affected by the change either during or after implementation.

Teamwork is essential if we are to successfully accomplish necessary changes. The increased use of teams and the knowledge the experience provides to team participants will help employees develop a broader agencywide perspective and greater sense of unification with their fellow employees. The dividing lines between program areas will soften and begin to blend as employees gain a greater understanding of the workings and responsibilities of other program areas, the contributions of the various programs to the whole of the organization, and the necessity of all in successfully performing our mission.

Enhancing our internal communications to improve information sharing, using teamwork to efficiently implement changes and unify staff, and employing better change management practices to mitigate the effect changes will have on our employees will help us close the gap between our current organizational culture and the culture we envision for our future.

STRATEGIES

1. Assess current organizational communication channels and develop and implement agencywide communication processes and systems.
2. Involve staff at all levels in developing program objectives in order to clarify roles and expectations and build mutual commitment toward the achievement of agency and program goals.
3. Establish management groups to focus on key agency issues.
4. Develop and employ a phased implementation approach for change management involving representative staff who are responsible for and/or affected by the change.
5. Increase the use of cross-functional teams to build cooperative working relationships and foster an agencywide perspective.

OUR RESOURCE ASSUMPTIONS

It is anticipated that resource requirements will change as we accomplish our action-oriented strategies over the next five-year period of this plan and move closer toward attainment of our strategic goals. Wherever possible, we will strive to achieve our strategic efforts through existing agency resources. However, as needs for additional resources arise in future fiscal years, those resources will be identified and communicated through the budget process.

OUR 1997-98 STRATEGIC PLANNING PROCESS

We established our first mission statement and goals in 1988 and initiated an integrated, agencywide planning approach. The agency's initial strategic planning cycle was completed and our first *Strategic Plan* was published in February 1989, setting agency direction and supporting more focused action planning. The Plan has been fine-tuned and republished twice since that time, with each publication being shared with all of our employees. Over the years, we have accomplished many of our objectives, both large and small, which clearly reflects our growing ability to manage change more effectively by anticipating events and acting early.

In light of the many changes that have occurred through the '90s and those still to come, particularly with technology, it was time to comprehensively update our *Strategic Plan*. We began the 1997-98 strategic planning cycle with a revision of the agency's mission statement and goals. Our operating philosophy and organizational vision were also revised to reflect the institutionalization of several earlier strategic actions. These components provided critical guidelines for the development of our business strategies.

A core planning group of approximately 62 agency managers was formed to assess the current environmental trends, identify the most significant issues posed by those trends, and develop strategies to focus action on those issues with the greatest organizational impact.

ASSESSING OUR OPERATING ENVIRONMENT

Executive management initiated the analysis of our present and potential future environment by reviewing and revising, as appropriate, the list of key stakeholders that was originally established in 1988. They also determined that the planning process this year should achieve several desired outcomes; the most significant of those were to:

- Build organizational capacity for strategic thinking,
- Establish priorities and clear direction,
- Increase awareness of future trends and issues, and
- Achieve buy-in (and commitment) to the *Strategic Plan* from all levels in the organization.

APPENDIX

EXTERNAL ASSESSMENT

In early July 1997, we conducted a workshop for approximately 100 managers and key staff from throughout our organization. Presentations by experts enlightened us about the most significant future social, economic, technological, demographic, and tax program trends and forces of change that our organization will be facing over the next five years.

As part of our external assessment, we also surveyed 154 and interviewed 7 of our key external stakeholders in government, industry, and taxpayer organizations for input on their expectations of us and how we can provide them with better service. This part of our assessment included consideration of the many comments we have received from taxpayers over the past several years during hearings and through our Taxpayers' Rights Advocate Office, as well as other forums in which taxpayers voiced their concerns or offered suggestions.

INTERNAL ASSESSMENT


An extensive survey of our internal stakeholders was conducted in conjunction with the external assessment. All employees in the organization were surveyed to provide them the opportunity to participate in the process and contribute their ideas about major issues or opportunities that should be addressed and possible future strategies. During this time, our executive management also met and discussed their perceptions of the organization's strengths and weaknesses to ensure that the strategies developed later in the process would capitalize on our strengths and minimize any weaknesses.

Consideration of the key trends and/or forces of change and their potential impact upon the organization in the future, as well as the suggestions, concerns, and comments received from our stakeholders through the extensive external and internal assessments, revealed several areas of threat and/or opportunity that should be addressed during the next five years.

OUR CONTRIBUTING STAKEHOLDERS

The following external stakeholders contributed to our planning process during 1997 by providing us with their major issues, opportunities, solutions, and performance expectations.

Department of Finance 	Department of Information Technology 
Department of Personnel Administration 	Office of the Legislative Analyst 
League of California Cities 	California State Association of Counties 
California Assessors' Association 	Orange County & Madera County Assessor's Offices
Franchise Tax Board	Employment Development Department
Department of Motor Vehicles	Department of General Services
Department of Food and Agriculture (Division of Measurement Standards)	Alcoholic Beverage Control Department
Public Employees' Retirement System	California Environmental Protection Agency
Air Resources Board	State Water Resources Control Board
Stephen P. Teale Data Center	Department of Toxic Substances Control
Bureau of State Audits	Secretary of State
Internal Revenue Service Western Regional Office	Los Angeles County Board of Supervisors
California Federation for Animal Legislation	California Rental Association

 Denotes those stakeholders who were interviewed in person or over the telephone. All others responded in writing to a paper survey.

IDENTIFYING ISSUES AND DEVELOPING STRATEGIES

The second of three major workshops was held in early October 1997 to further develop the identified areas of threat or opportunity that emerged from the environmental assessment into "strategic issues." The core planning group worked in six separate teams to clarify the issues and formulate statements describing and articulating the potential impact of the issue on the organization.

Building upon their previous work, the core planning group came together for the third planning workshop, and again several times as individual teams over the next four months, to develop action-oriented strategies to deal with each strategic issue, and to refine those strategies and the issue descriptions.

APPENDIX

COMMUNICATING AND IMPLEMENTING OUR STRATEGIC DIRECTION

COMMUNICATING

The work products resulting from the strategic planning process were compiled into this single written document that is published and distributed to all of the organization's employees. As new employees are hired, they are provided copies of the *Strategic Plan*, as are staff participating in our management/supervisory training program. Stakeholders who participated in our environmental assessment were notified and offered copies of the Plan. Copies of the Plan were also distributed to the State Library and are available to the public upon request. Our *Strategic Plan* is also on the Internet at the Board of Equalization's web site at <http://www.boe.ca.gov/miscpam.htm>.

The managers who participated in the strategic planning process were instructed to carry the "strategic" message to their staff by sharing their first-hand knowledge of the agency's planned direction and actions with their staff, and by involving them in their own program's planning process for implementing the *Strategic Plan*.

To further ensure that agency staff are kept apprised of where the organization is headed, what our priorities are, and how they contribute to the future of the organization, as well as how the issues they reported are being addressed, we will continue to periodically publish our strategic planning newsletter.

IMPLEMENTING

The *Strategic Plan* will be implemented through a set of integrated organizational, or "program" plans. These program plans include a statement of each program's mission and goals, the issues affecting their program's ability to meet the mission and goals, action-oriented strategies for addressing the issues, measurable objectives, target completion dates for each objective, and the unit responsible for accomplishing each objective. Additionally, executive-led focus groups will oversee management and implementation of broad, cross-cutting issues that permeate the organization, such as technology and customer service. This *Strategic Plan* will also guide the development of all other agency plans (e.g., Information Management Strategic Plan).

MEASURING AND EVALUATING ORGANIZATIONAL PERFORMANCE

One of the agency's key strategies identified in this *Strategic Plan* is the design and implementation of an agencywide performance measurement system. We expect to have the broad, agency-level measures defined and incorporated into our *Strategic Plan* by fiscal year 1999-00. Following the establishment of the agency-level performance measures, we will begin defining measures for each program area. The data-tracking, monitoring, and reporting systems to support evaluation of measures and the results achieved will be developed and implemented incrementally over the next several years as time and resources allow.

WHAT IS STRATEGIC PLANNING AND WHY SHOULD WE DO IT?

It is . . .

. . . a dynamic management process for ensuring that the organization's mission is accomplished and goals are attained amidst rapidly changing circumstances. Strategic planning relies upon ongoing assessment of the environment for major trends and changes, identification and tracking of emerging or existing issues, and formulation of appropriate and innovative strategies for resolving those issues.

An issue is any problem or opportunity that could have a significant impact on the organization's ability to achieve its mission and goals and has a reasonable probability of occurrence. An appropriate strategy is one that capitalizes on existing organizational strengths, reduces or eliminates organizational weaknesses, and is consistent with organizational philosophy and vision.

Once strategies have been identified, integrated action plans for implementing them are developed throughout the organization, and resources are allocated accordingly. Plans at all levels are reviewed and revised on an ongoing basis as existing issues change or new issues emerge.

It is valuable because it . . .

- Emphasizes assessment of the environment outside, as well as inside, the organization
- Supports qualitative changes in organizational direction
- Supports identification and management of opportunities and threats which impact mission and goal attainment
- Looks toward the future, but presumes that unanticipated events can and will occur
- Is action oriented
- Teaches managers to think strategically and behave proactively
- Assists managers in establishing organizational, program, and operational priorities
- Supports development of teamwork
- Supports coordination, control, and decision-making across functions and levels
- Encourages and supports responsiveness to stakeholder expectations
- Directs attention to the future and to the long-range impact of decisions

OUR PLANNING MODEL

1. Define Mission and Goals

The first and most critical step in our planning process is defining the overall organizational mission and goals.

2. Articulate Operating Philosophy and Vision of the Future

Our commonly shared beliefs and values are communicated in written statements of our organization's operating philosophy and vision. The purpose of the philosophy statement is multi-fold. It communicates to the public who we are and what we believe in. To managers, it provides guidance in formulating and agreeing upon strategies for dealing with significant organizational issues. To all employees, it serves as a reminder of important social, ethical, and professional expectations and obligations.

The vision statement is a narrative idealized description of the organization as we would like it to be. Some aspects of it are already a reality; others are becoming a reality. In many respects, the vision statement is an expression of our interpretation of what the agency would be like if its goals were fully realized. It offers yet another standard for managers to consider when formulating strategy and making daily decisions.

3. Assess the Environment

During the environmental assessment, managers and staff review the environment in which the organization will be operating in the future (usually five to seven years out). This includes looking both inside and outside the organization at trends, forces of change, and events that may pose threats or present opportunities that could impact the organization's ability to carry out its mission and meet its goals. The organization's stakeholders are solicited for their performance expectations of us and suggestions for ways we can improve our practices and services.

4. Identify Strategic Issues

As the environmental assessment is conducted, potential issues begin to emerge. Those issues identified as most significant or that have the greatest impact on the organization are clarified and further developed. Clear and succinct statements along with descriptive summaries are developed for each significant issue identified to articulate the potential impact each will have on the organization.

APPENDIX

5. Develop Strategies

After the major issues facing the organization have been defined, several action-oriented, measurable strategies are developed to address each issue.

6. Communicate Strategic Direction

Our organization's mission, goals, operating philosophy, vision, and major strategic issues and strategies to resolve them are communicated to all agency employees and interested external stakeholders through a written, published *Strategic Plan*.

7. Implement the Strategic Plan

The strategies set forth in the *Strategic Plan* are implemented through a set of integrated organizational or "program" plans that cover three fiscal years. Like the *Strategic Plan*, these written program plans include a statement of the mission and goals for each program and program element in the agency. They also include each program's identified issues and strategies to resolve them. In addition to these components, the program plans contain measurable objectives, due dates, responsible units, and how resources will be allocated to accomplish the planned objectives.

Program planning gives managers an opportunity to identify specific program issues and strategies and to develop action plans for implementing those strategies. Defining program objectives enables management to identify for consideration by the five-member elected Board any legislative changes, budget change proposals, or external support or approval required to implement their strategies. The most critical objectives identified in the various program plans also serve as individual managerial performance objectives. The *Strategic Plan* also guides the development of all other agency plans.

8. Track Progress and Maintain Plans

As emerging issues and changes to existing issues are identified, the potential impact on the organization is assessed and plans and strategies are developed or altered accordingly. Likewise, plans are continually updated in response to evaluation of organizational performance, as well as to the changing needs and expectations of those the organization serves or with whom it interacts. Progress toward the accomplishment of program plan objectives is reported quarterly with status reports.

The written *Strategic Plan* is reviewed and revised each year, if necessary, to ensure that it continues to accurately reflect the direction in which the organization wishes to move. Likewise, the written program plans are updated at the

end of each fiscal year to reflect evolution of existing program issues, emergence of new program issues, and the need for new strategies and objectives.

9. Evaluate Organizational Performance

The agency's performance measurement system will be designed and implemented over the next several fiscal years.

APPENDIX

DEFINITIONS OF TERMS



Best Value

The act of providing goods or services that meet customer needs and/or desires and all other required criteria, only one of which is cost. All evaluation criteria are given equal weight and those goods or services that best satisfy all or most of those criteria are determined to be the “Best Value.”

Business Innovation

The fundamental rethinking and/or radical redesign of business processes to achieve dramatic improvements in organizational performance.

Change Management

An integrated plan that enlightens an organization and provides its employees with the knowledge, skills, and tools needed to respond to and manage change effectively.

Cross-functional

Crossing organizational units, divisions, or program areas.

Customers (external)

Those who are served by the organization or who receive or use what the agency produces (e.g., taxpayers and their representatives, industry associations, county assessors, the business community, the general public).

Customers (internal)

Employees, divisions, units, etc., of the Board who are served by or whose work depends upon the output of another employee, division, unit, etc., also within the agency.

Effectiveness

The extent to which an organization is achieving desired results.

Efficiency

The extent to which an organization is achieving desired results with the minimum resource expenditure.

Environmental Assessment

An assessment of the key external elements, forces, or trends that influence or “drive” the conditions under which an organization functions.

Networked

An interconnected or interrelated system that is established and used for the exchange of information and/or services among individuals, groups, or institutions (e.g., networked economy, networked workforce).

Partnering

Establishing mutually beneficial relationships with customers, stakeholders, and other groups to leverage resources and advance the organizational mission and achievement of goals.

Program and Program Element

The organizational level within the agency's hierarchy/structure at which written program plans are developed for submission to the Executive Director. A program is at the organizational level that reports directly to the Executive Director of the agency (e.g., Sales and Use Tax Department, Legal Division). A program element is at the organizational level that reports directly to the executive manager of their program area (e.g., Audit Program Division, Appeals Section).

Quality

A commitment to excellence in answering the needs and expectations of those we serve and those with whom we work.

Stakeholder

A person, group, or organization that can place a claim on the Board's attention, resources, or outcomes, or is affected by those outcomes. A stakeholder has a vested interest in, and expects certain levels of, performance from the agency. Stakeholders can also be advocates and are sometimes referred to as expectation groups.

Teamwork

Pulling people together from various areas of the organization to temporarily work together to achieve a particular objective.

Trend

A line of development with movement over time toward a statistically detectable change in behavior, perceptions, or values.

Underground Economy

Money that is earned and spent outside the realm of official economic calculations.